

SECRET
(When Filled In)

25X1

SPEED LETTER		REPLY REQUESTED		DATE
		YES	NO	19 OCT 1966
TO : OL/PD/ICS		FROM		LETTER NO.
ATTN:		OL/PD/CAS		

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CONTRACT

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For your action per BB-125 instructions
"Prompt action to be taken on overruns"

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REPLY	DATE
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21 OCT.

No PADS Action Required

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FORM 5-61 1831

RETURN TO ORIGINATOR

SIGNATURE

SECRET

25X1

18 October 1966

Attention: Contracting Officer

Subject: [redacted] Job [redacted]

Reference: a) Contracting Officer's Letter
dated 21 September 1966

Gentlemen:

[redacted] has reviewed in detail the effort required to complete performance of subject contract to your satisfaction. The attached summary represents total costs estimated to complete the contract in addition to actual costs expended by this contractor. The total estimated cost [redacted] without fee (Column 1). On an actual cost basis there is an anticipated overrun over Target Cost of [redacted]

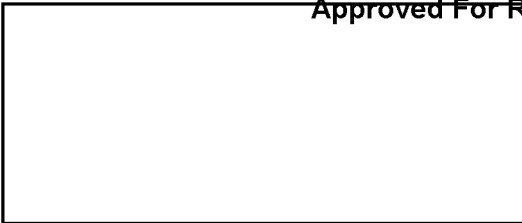
Column 2 shows identical direct labor hours and material costs, but at overhead and G & A rates reduced by the type of disallowances which have been made on previous audits. On this basis, the anticipated contract cost [redacted] which is less than the allowable contract target cost of [redacted]

On the basis of the Government's established rates after audit, there would not be a formal overrun on this contract (Column 2). Assuming the contract is completed for the estimated cost [redacted] and assuming that the final cost after Government audit is approximately [redacted] this contractor will receive from the Government a total of [redacted] which in terms of total actual costs expended by this contractor indicates a zero profit contract (Column 1). Disallowances made through audits can only be taken from profits, yet, they are incurred as necessities of doing business and are generally acceptable costs under sound accounting practice. The only possible profit obtainable under this contract would be the incentive portion determined by your technical personnel.

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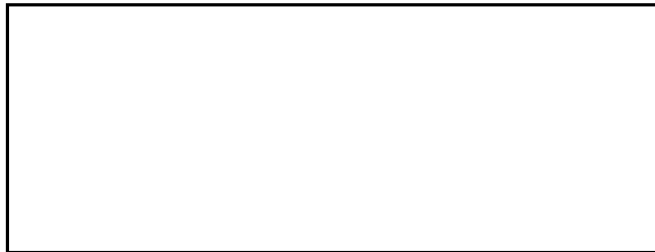


18 October 1966

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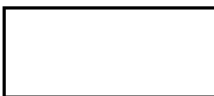
If we can provide any additional information, please
contact the undersigned.

Very truly yours,



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Enc.

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